January 2026

Asset Allocation – Real Assets 2026

Context

The overall economic outlook for 2026 is **cautiously positive**. Major markets are expected to grow at a moderate rate, but it's not clear when or how strong that situation will be when it comes to real asset performance.

In this context, central banks are probably moving from strict policies to more relaxed ones. For example, the U.S. Federal Reserve is expected to lower its benchmark rate to about **3% by the end of 2026,** contributing to a more stable and less restrictive interest-rate environment. As inflation moderates, interest rates in Europe are also expected to remain at lower levels, improving financing conditions.

The shift from the **"higher-for-longer"** environment of 2023–2024 toward a plateau or gradual **decline in interest rates** supports real asset valuations, as borrowing costs ease and cap rates (yields) could compress modestly rather than rapidly. In parallel, continued public spending in the U.S. and Europe, particularly in energy and transportation, adds a helpful structural tailwind for infrastructure.

However, key risks persist. Inflation could remain sticky, especially if tariffs raise construction and operating costs, keeping some "higher-for-longer" concerns alive. Tighter **immigration** and **labor shortages** could also constrain job and income growth, while geopolitical and trade-policy shifts add uncertainty, particularly in Europe. Still, by 2026, many of these risks are becoming better understood and are partly shown in prices.

Overview 2026	
Residential	↑ Overweight
Industrial	↑ Overweight
Office	↓ Underweight (selective core+ exceptions)
Retail	● Neutral (grocery-anchored, necessity-based)
Infrastructure	↑ Overweight

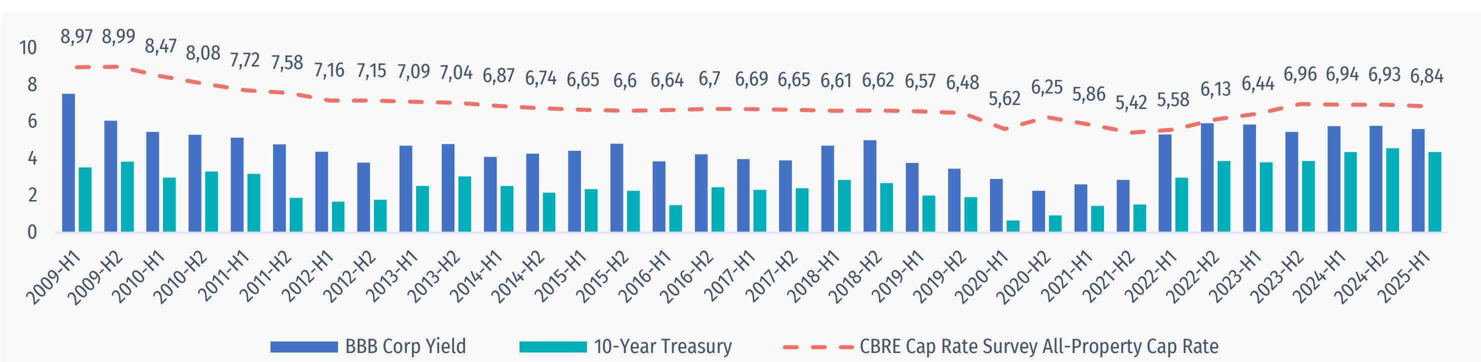
Tailwinds and Headwinds for Real Estate Allocation

Monetary Policy, Inflation, and the Cost of Capital:

While rate normalization improves **valuation stability and transaction visibility,** interest rates are expected to remain structurally higher than in the 2010s, reflecting **persistent services inflation.**

This environment favors assets with **conservative capital structures and resilient cash flows,** while highly leveraged assets face refinancing pressure and potential equity shortfalls. Lenders remain selective, particularly in challenged sectors, although private debt funds are helping restore liquidity—albeit at higher costs and stricter terms. Key risks persist, including sticky inflation, labor constraints, and geopolitical uncertainty, but by 2026 many of these risks are better understood and increasingly reflected in asset prices.

Exhibit 1: Real Estate Cap Rate and Bond Yields, Period Average



Source: CBRE Econometric Advisors, H1 2025.

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Economic Growth & Labor Trends:

Economic growth in the U.S. and Europe has proven **resilient through 2025,** albeit at a slower pace. Job growth has decelerated in the U.S., while unemployment remains low across major economies. Wage growth is moderating but still outpacing inflation in parts of Europe, supporting household purchasing power. These factors should support broadly stable real estate demand through 2026, though outcomes will remain highly dependent on macro stability and **uneven across sectors.**

At the same time, **high labor costs** continue to pressure labor-intensive sectors (hotels, senior housing, healthcare), **while tariff and immigration uncertainty** adds risk to construction costs, development feasibility, and labor supply.

As a result, protecting value in 2026 will increasingly depend on cost control, including careful management of operating costs and capital expenditures, proactive maintenance, and efficiency improvements across assets.

Capital Markets & Valuations:

As discussed above, higher interest rates triggered **a significant valuation reset** across real estate, resetting return expectations. By 2025, several indicators suggested values were stabilizing and, in some cases, bottoming.

For instance, the prices of urban offices in the U.S. had dropped by about **50% from their highest levels three years earlier** (see Exhibit 2), and the cap rates for life sciences had risen from about 4.4% in early 2022 to about 6.6% by late 2025. Investor confidence started to rise as the bid-ask spread got smaller and price discovery moved forward.

This reset started to bring **value-oriented capital back** into the market, especially in the U.S., where liquidity came back faster than in Europe. Consistent with this trend, JLL reports that direct real estate investment reached USD 213 billion in Q3 2025, up 17% year over year (see Exhibit 3), with year-to-date volumes rising 21% versus 2024.

Still, legacy risks remain—especially the **refinancing pressure** on assets acquired at peak prices—which could lead to pockets of distress. This underscores the importance of asset quality, sector selection, and balance-sheet resilience.

Structural Demand Drivers:

Long-term trends are creating new sources of **structural demand.** Population aging— with the first baby boomers turning 80 in 2026—supports growing demand for **senior housing and healthcare real estate.** At the same time, technology is driving alternative assets: **data centers** and digital infrastructure remain severely undersupplied (U.S. vacancy below 2%), with strong **AI and cloud** demand pushing rents higher and pre-leasing new capacity well ahead of delivery.

Sector-Level Considerations

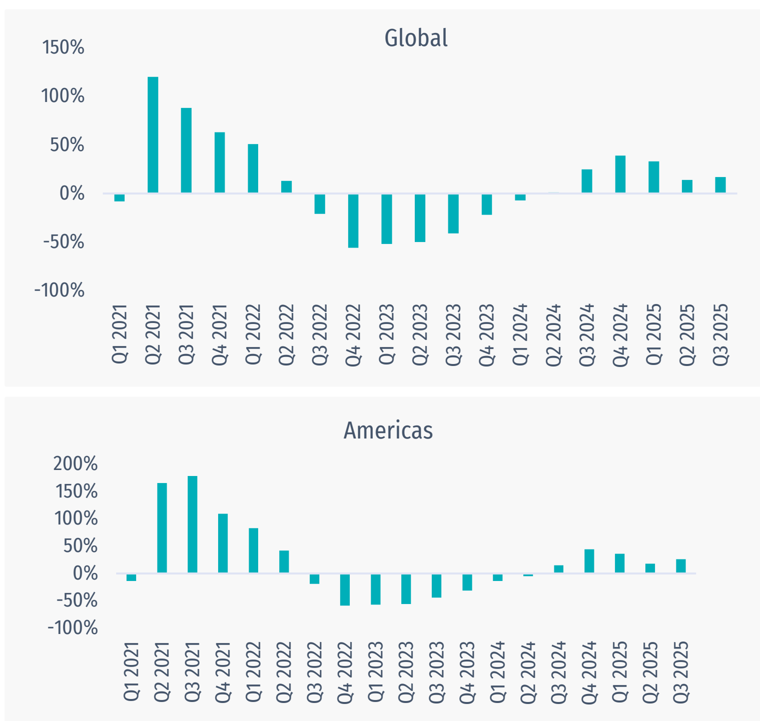
- **Hotels & Retail:** Most exposed to consumer spending; a rise in unemployment would likely weaken demand.
- **Office:** Closely tied to employment in office-using sectors; a slowdown could lead to renewed softness in absorption.
- **Industrial & Multifamily:** Relatively more resilient, but a severe downturn could still result in slower leasing and higher vacancies.

Exhibit 2: Commercial Real Estate Price Changes by Sector

Sector	1-mth	3-mth	1-yr	3-yr	5-yr	10-yr
Office	-0.2%	-0.1%	-1.9%	-24.9%	-12.1%	3.7%
Office - CBD	-0.1%	-0.6%	-4.2%	-50.7%	-49.5%	-38.2%
Office - Sub	-0.6%	-1.0%	-2.1%	-19.5%	-4.8%	11.5%
Industrial	0.3%	0.5%	1.6%	8.4%	44.1%	102.7%
Retail	0.0%	0.1%	3.5%	-6.0%	15.6%	17.5%
Commercial	0.0%	-0.2%	-0.9%	-7.3%	13.0%	30.9%
Apartment	0.0%	-0.2%	0.1%	-18.5%	10.4%	68.1%
All Types	**0.0%**	**-0.3%**	**-0.7%**	**-12.2%**	**12.0%**	**42.9%**
6 Major Metros	-0.3%	-1.0%	-5.4%	-16.6%	-4.5%	20.4%
Non-Major Metros	0.1%	0.2%	1.1%	-9.8%	19.0%	53.6%

Source: MSCI, RCA CPPI, June 2025

Exhibit 3: Quarterly y-o-y change in direct investment



Source: JLL, Q1 2021 - Q3 2025

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Segment Analysis: Fundamentals & Outlook

Segment	Key 2025 Conditions	Tailwinds in 2026	Headwinds in 2026	Outlook 2026
Residential	- **Rent growth muted:** Two weak years extending into 2025, with recovery now pushed into 2026+ - **Supply turning (near term):** Multifamily starts down >40% (2023–2025), helping rebalance supply and demand. - **Capital cautious:** Core cap rates ~4.5–5.0%, value-add ~6.0%, with mortgage rates 5.5–6.0%	- **Supply relief ahead:** Sharp drop in starts supports rent growth once excess inventory clears. - **Structural housing gap (long term demand):** ~600k-unit deficit driven by post-GFC underbuilding; 4.3m units needed by 2035. - **Affordability migration:** Tertiary markets captured ~80% of top-25 absorption since 2020	- **Slower household formation** and elevated affordability pressures (rent-to-income ~28%) may cap rent growth. - **High financing costs** also keep many would-be buyers renting, supporting occupancy but limiting pricing power.	**Low growth, high stability:** Modest rent growth with selective regional outperformance and gradual recovery; upside is rate-driven, with transaction activity accelerating if the 10Y Treasury moves toward ~4.0%, while downside remains cushioned by underbuilding and long-term housing demand.
Office	- **Vacancies** increased through 2025 amid 14 quarters of flat-to-negative absorption. - Downtown leasing recovery has lagged suburbs; **major occupiers continue to shed space.** - Asset values have **plunged ~50% from peak** in some cities, triggering distress and loan workouts. - **CMBS delinquencies** at ~11.7%.	**Repricing attracting investors –** dramatically lower capital values are drawing opportunistic buyers back to the office sector. **Trophy assets in top markets achieving record rents** as tenants "trade up" to quality. Policy support for adaptive reuse and office-to-residential incentives gain momentum.	- **Remote/hybrid work** remains a structural headwind suppressing demand for space. - Large corporate tenants are still **right-sizing footprints,** driving move-outs and high sublease availability. - **Older and commodity office buildings** face functional obsolescence (low demand, high capex needs). - **Distress and defaults** are rising, and conversions are often not financially feasible.	**Bifurcated outlook:** - Prime, amenity-rich assets should see improving occupancy and selective rent growth, while older Class B/C offices in oversupplied markets face persistent vacancy and valuation pressure. - **Fundamentals** likely bottom in 2025. Stabilization in 2026 led by top-tier assets. - **Vacancy:** Down ~30 bps to <18% by end-2026 as demand improves and obsolete stock exits.
Industrial & Logistics	- **Occupancy** remained high in 2025 (low-single-digit vacancy), though leasing slowed (~1–4%) from pandemic highs. - **Rent growth** remained positive nationally. New supply is slowing: 2025 construction starts fell ~25% vs. pre-pandemic average, so 2026 deliveries will drop ~70% from the peak boom levels. -**Demand resilient:** Logistics demand is ~75% consumer-driven and only ~15% trade-related.	- **Structural demand:** E-commerce penetration rising (~24% → ~30% by 2030), driving long-term logistics needs. - **Reshoring selective:** Manufacturing now ~20% of new leasing (vs. 13% pre-COVID), supporting regional demand. - **Tighter supply:** High construction costs limit new vacancies; replacement-cost rents are ~20% above market, discouraging speculative development.	- **Consumer risk:** Spending divergence; discretionary demand softening despite solid headline retail sales. - **Trade volatility:** Tariffs and sourcing shifts create uncertainty, especially near ports and intermodal hubs. - **Development constraints:** High costs and power/water limitations delay or cap new supply.	- Industrial/logistics should remain a **top-performing sector** in 2026. - **Low vacancies** and mid-single-digit rent growth expected, supported by strong demand and limited new supply. - Core logistics assets in major hubs remain in strong demand, with modest cap-rate compression possible. - Tenant expansion may moderate if growth slows, but **fundamentals remain strong,** supported by e-commerce and evolving supply chains.
Retail	- **Resilient but uneven:** Store closures and bankruptcies rose (closures ~15.000 in 2025) but offset by non-traditional tenants and very low new development. - **Vacancy edging up:** National vacancy reached ~4.3% with negative net absorption in 2025. - **Rent growth positive:** Rents still grew (~1.8% YoY through Q3 2025), especially in small-shop and junior-box space.	- **Supply discipline:** 2025 among the weakest development years this century, limiting new vacancy. - **Tenant mix evolution:** Growth from grocery, discount, restaurants, fitness, services, medical, and experiential uses. - **Proven resilience:** Pandemic experience reinforced confidence in retail's ability to adapt.	- **Tariff uncertainty:** Risks to inflation, consumer spending, and weaker retailers not yet fully felt. - **Consumer pressure:** Slowing retail sales growth (0.7% in 2024 vs. 3.6% in 2023) and high debt levels. - **Rising bankruptcies:** 2025 closures (including big-box and regional chains) leave more vacant space.	**Retail will remain bifurcated:** Necessity-based, high-quality centers should stay resilient with **low vacancies and low-single-digit rent growth,** while secondary malls and outdated centers face closures and minimal growth. **Flat-to-modest NOI growth** is expected in 2026, with resilience underpinned by adaptive reuse from well-capitalized owners.

Source: PWC, Colliers. US Focused

Segment Analysis: Niche Sectors

Data Centers: Extremely favorable

- Demand for **data center space** remains extremely **strong** in late 2025. Hyperscalers and enterprises are rapidly expanding server capacity to support cloud computing, 5G, and AI workloads.
- Despite **record supply** for four consecutive years, most space was pre-leased, keeping vacancy very low in major markets.
- **Structural constraints** limit new supply (power bottlenecks, land shortages, long equipment lead times, and high costs). As a result, oversupply is constrained, with power grid interconnection queues of 2–7 years in 2025 slowing new deliveries.
- Despite these headwinds, the sector is supported by **AI-driven compute demand,** cloud outsourcing, and **government backing,** with stable cash flows from high-quality tenants (big tech) and long-term leases.

Life Sciences Real Estate: Cautious optimism

- Recent Cycle: **Rapid expansion in 2020–21** followed by a **correction in 2023–25** as biotech funding fell and new supply peaked.
- In major hubs vacant deliveries pushed vacancies higher and values lower, with **cap rates** rising from the mid-4% range in 2021 to the mid-6% by late 2025. Near term, excess space will keep leasing tenant-friendly and rent growth muted, with added uncertainty from potential drug pricing reforms and trade tariffs.
- Even with these challenges**, the long-term drivers** are still in place: The need for lab and manufacturing space is still high because the population is getting older and biotechnology is getting better. In addition, life sciences real estate remains a **high-barrier niche,** expected to return to growth by late 2026.

Senior Housing: Favorable

- The seniors housing & care sector is entering a **golden age of demand.** By 2025, national occupancy had largely recovered, with expectations to **exceed 90% in 2026,** while new supply remains extremely limited. This imbalance is supporting accelerating rent growth and strong operating performance.
- The main headwinds are operational, with **labor shortages and rising wages pressuring costs,** though technology is helping to mitigate staffing challenges. Affordability is also key, as a large middle-income cohort will require more cost-effective senior housing options.

Performance

Real estate investors deploy capital across strategies ranging from low-risk Core to higher-risk Opportunistic, based on return goals and risk tolerance. Following the 2025 repricing, the relative appeal of these strategies has shifted. Below is the 2026 outlook for each strategy, including typical return targets and positioning in the current environment.

Exhibit 4 Aggregated Net IRR by Strategy
(2010–2020 Vintages)

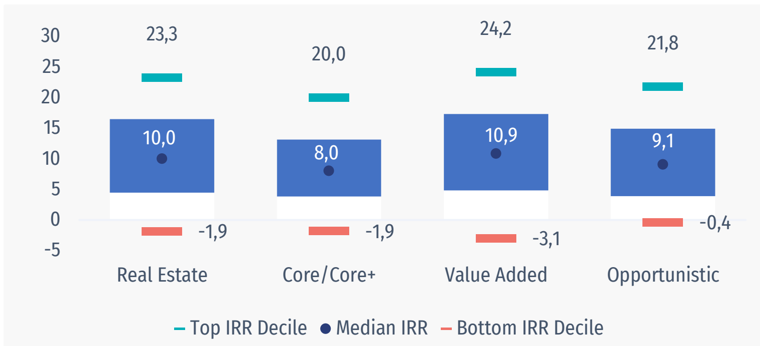
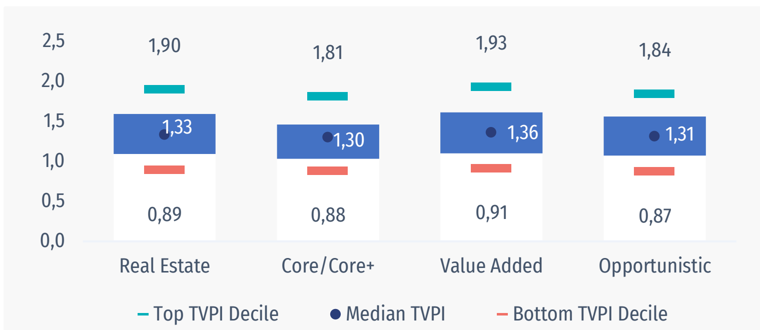


Exhibit 5 Aggregated Net TVPI by Strategy
(2010–2020 Vintages)



Source: PitchBook • Geography: Global• As of most-up-to-date. Constructed by HMC using data accessed on December 9, 2025. Top decile refers to the top 10% of performers, top quartile to the top 25%, and the median represents the midpoint of the distribution.

Core/Core+

- In 2025, rising **cap rates** reduced asset values and pressured returns. Looking into 2026, these assets now generate higher income, with many prime properties offering **cash yields above 5%.** If interest rates decline, Core/Core+ properties could also benefit from modest **value appreciation** on top of their income returns.
- Outlook: solid if unspectacular. As the economy gets back on track, core returns in the **mid- to high-single digits** are expected, mostly because of income. Core+ portfolios should benefit from higher income and some value uplift, with expected returns in the upper single digits to low teens.
- Overall, this strategy is expected to be a **steady performer** in 2026, and many institutions will keep or slightly increase their allocations for **stability.**

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Value-Add

- In the current cycle, value-add investors face a **compelling opportunity set,** with distressed or capital-starved assets, available at **deep discounts.** Targeted capex and leasing could drive outsized gains as markets normalize, with successful repositioning delivering **double-digit yields** on cost.
- Outlook: Return targets in the **mid-teens** are feasible, making it one of the more attractive strategies in the risk/return spectrum.
- Careful asset selection is key; not every "cheap" asset is a good buy. Value-add works best in industries where there is generally **good demand** and a short-term problem can be solved.

Opportunistic

- A wave of **distressed sales** is likely in 2026, creating opportunities to acquire assets or loans at **deep discounts,** with potential **+20%** IRRs for successful turnarounds.
- Developers with capital may benefit from **stabilizing construction costs** and potentially lower financing by late 2026.
- Not all opportunistic bets will succeed, as timing is critical, but top-tier sponsors with development and restructuring expertise are well positioned.

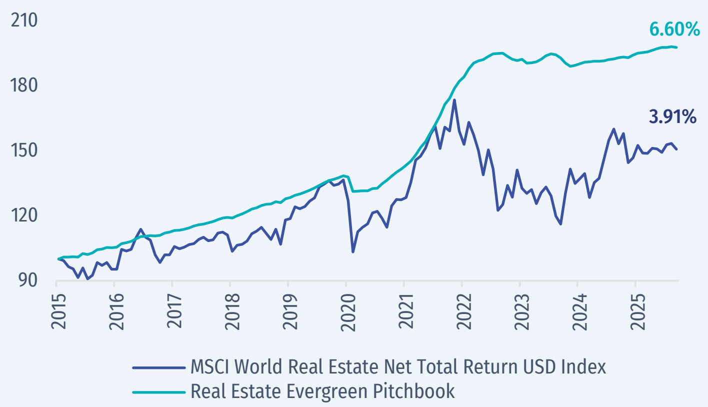
Strategic Portfolio Considerations

- **Geographic and strategy diversification remains essential.** The U.S. is expected to **lead the recovery,** while Europe offer selective opportunities (distressed equity/debt, logistics, living sectors). Real estate debt is also emerging as an attractive risk-adjusted alternative in a higher-rate environment.
- **Active management and selectivity will drive outcomes.** Returns will favor investors who emphasize **strong-fundamental sectors,** manage risk carefully, and retain flexibility ("dry powder") to capitalize on distress—where historically some of the strongest post-cycle returns have been generated.
- Including real estate **enhances diversification, lowers portfolio volatility, and improves overall efficiency** thanks to return drivers that are less correlated with equities and bonds. Within this framework, investors are balancing **stable income** from core and core-plus assets with selective allocations to value-add and opportunistic strategies to capture recovery upside.

Evergreens

- According to PitchBook, real estate AUM has grown more slowly, rising from about USD 107 billion in 2022 to around USD **114 billion** in 2025, amid headwinds from high interest rates and weaker fundamentals in certain segments.
- There are currently around 70 active evergreen vehicles, up from approximately 54 in 2022, with six new vehicles launched in 2025 alone. This indicates steady growth in the number of funds, even though AUM growth has been more moderate.
- In general, evergreen real estate funds have outperformed their public market comparables. Looking ahead, consensus expects a return to **modest positive returns,** supported by higher income yields (around 4–5%) and stabilizing property values, following the weaker results of 2023–24.

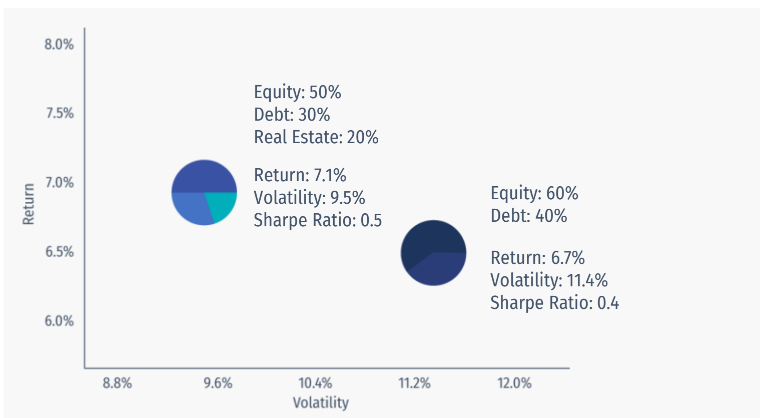
Exhibit 6 Evergreen Return Comparison (2015-Oct 2025)



	Annualized Return	Volatility	Sharpe Ratio	Worst Drawdown
Real Estate Evergreen Pitchbook	6.60%	3.06%	1.46	-5.20%
MSCI World Real Estate Net TR USD Index	3.91%	16.66%	0.11	-33.04%

Source: Constructed by HMC using data from Pitchbook and Bloomberg. The Sharpe ratio measures risk-adjusted returns by comparing excess return to the volatility of those returns. Worst drawdown represents the largest peak-to-trough decline in value over a given period, capturing the depth of losses during market stress. Data since inception (March 2015).

Exhibit 7 Risk/Return Profile



Source: HMC construction. The equity component is based on MSCI ACWI (Total Return), the fixed-income component on the Bloomberg Global Aggregate Index, and the Real Estate allocation on the Real Estate PitchBook Index. Data covers June 2015 to June 2025. We intentionally use the smoothed series to reflect the return pattern an investor would actually experience. Using unsmoothed data would increase the portfolio's volatility from 9.5% to 10.3% for the portfolio that includes real estate.

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Tailwinds and Headwinds for Infrastructure Allocation

Private infrastructure enters 2026 supported **by favorable structural trends.** The asset class has shown **resilience** through recent market volatility, with essential assets maintaining **stable cash flows.** The opportunity set has expanded beyond traditional infrastructure to include digital, renewable, and social assets, alongside rising investment needs driven by aging infrastructure, decarbonization, and digitalization.

Interest Rates and Financing Costs:

Even though the base case is for **easing,** the interest rate environment is still a risk. If inflation goes up more than expected or if worries about government debt make long-term yields go up more than expected, infrastructure financing could become more expensive again. Higher interest rates also put downward pressure on infrastructure equity valuations.
As known, many core infrastructure investments rely on meaningful **leverage,** making them sensitive to changes in credit conditions. A tightening in financing could reduce funding availability, although the continued strong appetite from private lenders and institutional debt providers partially mitigates this risk. Nevertheless, access to financing remains an important point of caution.

Inflation:

The surge in inflation over the past two years has had a **mixed impact** on infrastructure. On the positive side, many infrastructure assets act as **natural inflation hedges—** especially Core assets like utilities and toll roads with inflation-linked revenues. In a high-inflation, low-growth environment, these assets can **outperform** thanks to their pricing mechanisms.
On the other hand, it also **raises costs,** especially for greenfield and expansion projects. Construction and supply chain pressures have delayed some projects, increasing development risk and forcing budget revisions. In 2026, if input inflation persists, some projects may be **scaled back or see lower returns.** Rising operating costs (e.g. fuel, wages) could also reduce near-term distributions if not offset by higher revenues.

Geopolitical and Regulatory Risks:

Infrastructure is closely tied **to geopolitical and regulatory shifts.** The Russia-Ukraine war and US-China trade tensions have disrupted energy markets and supply chains, raising project costs. Some uncertainty may go away by 2026, but geopolitical risks will still be there.

Regulatory changes can impact returns—shifts in tariffs, subsidies, or concessions matter.

The UK has improved **sentiment** with pro-infrastructure moves, while the U.S. still faces **delays and local opposition,** especially in renewables and transmission, leading to **costly setbacks** for greenfield projects.

As we move into 2026, the regulatory outlook in **North America and Europe is mostly stable.** Frameworks still support investment and **inflation pass-through,** though balancing consumer protection and investor returns remains a challenge. Meanwhile, fiscal policy is a strong tailwind, as initiatives like the IRA, CHIPS Act, and EU Green Deal continue to channel large-scale capital into clean energy and digital infrastructure, boosting investor confidence despite political and fiscal uncertainties.

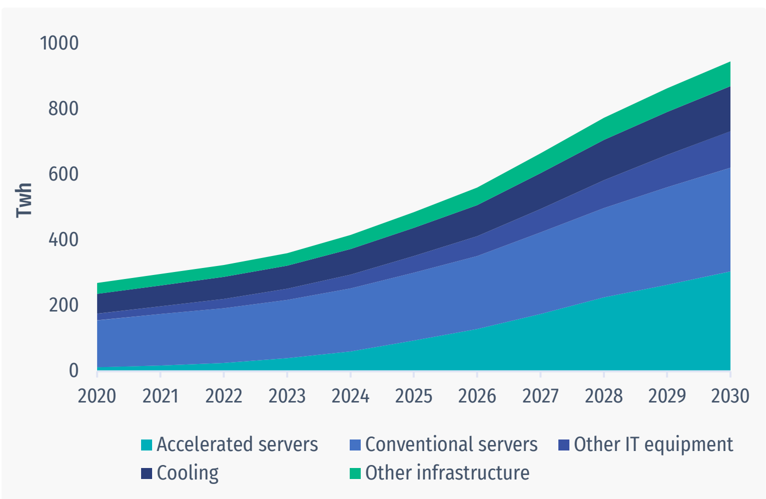
Savvy investors will diversify, plan for **long timelines,** and manage risk. Geopolitical shifts may also open **new opportunities,** such as friend-shoring and emerging sectors like **data sovereignty.**

Megatrend-Driven Demand:

Energy transition and digitalization are the two key megatrends underpinning the 2026+ private infrastructure opportunity set, requiring massive capital for **clean energy** (renewables, storage, grids, EV charging, and newer areas like hydrogen and carbon capture) and for **digital infrastructure** (hyperscale data centers, fiber, towers, undersea cables, and 5G small cells).

Utilities and energy infrastructure also benefit – electric grids are being upgraded and expanded to supply massive new data center campuses, and gas utilities are seeing demand from power plants that support data center energy needs. Massive cloud capex by tech companies (trillions globally through 2030) also creates attractive opportunities to invest in power and network capacity.

Exhibit 8 Global data center electricity consumption, by equipment



Source: IEA, 2025.

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In 2026, investment across these areas is **accelerating,** with private capital playing a key role. Many projects benefit from **inflation-linked or government-backed revenues,** supporting stable cash flows with growth potential. However, key risks include grid constraints and local community opposition in some regions.

In parallel, **climate resilience** is becoming increasingly important, with strong public support. **Energy transition** assets offer both environmental impact and attractive, inflation-hedged returns backed by **long-term contracts.** While technology and policy risks remain, the direction is clear: capital will continue flowing into green infrastructure.

Performance

Infrastructure investment strategies span a broad risk/return spectrum, ranging from low-risk **Core assets** with bond-like stability to higher-risk **Opportunistic** projects with private-equity-like upside. However, due to the limited number of constituents within each benchmark, it is not possible to present a historical breakdown by strategy. The following charts, therefore, show the aggregate evolution of Net IRR and Net TVPI for infrastructure investments.

Exhibit 9 Infrastructure Net IRR (2010–2020 Vintages)

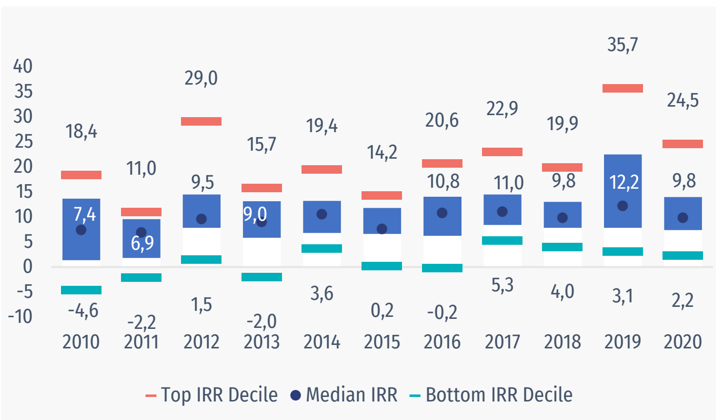
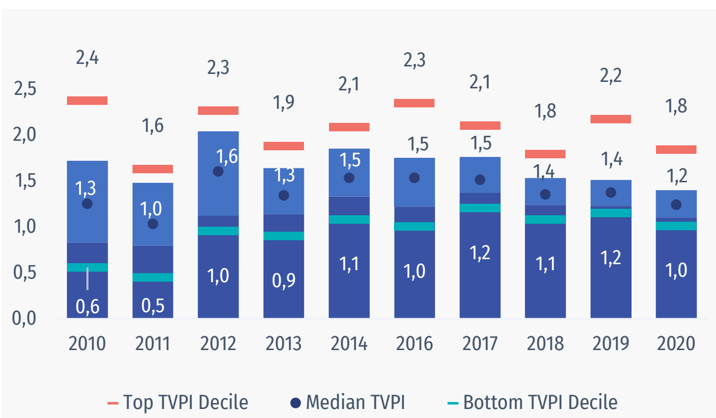


Exhibit 10 Infrastructure Net TVPI (2010–2020 Vintages)



Source: PitchBook • Geography: Global• As of the most up-to-date. Constructed by HMC using data accessed on December 21, 2025. Top decile refers to the top 10% of performers, top quartile to the top 25%, and the median represents the midpoint of the distribution.

Core

High single-digit annual returns expected over a full cycle (e.g. ~6–9% IRR). Core assets have historically returned about 8–10% in USD terms. Medium-term returns could tick up if acquired at today's **higher yields** and if interest rates decline, potentially adding some capital appreciation. Overall, low risk but modest return profile.

Core+

Expected **low double-digit** IRRs, usually around 10–12% over time. Core+ strategies aim for ~200–300 bps premium over pure Core. In the next 5 to 7 years, total returns in the 10% to 12% range are possible, with steady income and moderate capital growth. These assets have both defensive and growth features, which means they have a **low risk/high return profile.**

Value Added

Mid-teen IRRs aimed at a 5–7-year view. Value-Add infrastructure strategies usually look for annualized returns of 10–15% or more. The medium-term expected return is in the low-to-mid teens, reflecting a premium for development risk and active asset management.

Successful value-add funds have realized **~12–15%** IRRs upon exit, though outcomes vary widely. In the current climate, with a higher cost of capital, sponsors are aiming for the upper end of this range to compensate for risk.

Opportunistic

High teens over the life of the investment, if successful. The medium-term outcome can be very rewarding, but it also has a lot of risk in terms of execution and the market.

Notably, the **average expected return** for infrastructure as an asset class has **risen** in recent years) partly due to more such higher-risk strategies being pursued – a sign that investors demand greater compensation in today's environment for taking on opportunistic projects.

Strategic Portfolio Considerations

Portfolio Role and Allocation:

An important takeaway for 2026 is its ability to act as a **stabilizer** in periods of equity and bond market volatility. Despite swings in public markets, private infrastructure has continued to show **resilient performance** with relatively low volatility, supporting its case as a defensive and return-generating asset class within diversified portfolios.

An effective infrastructure allocation balances **Core stability** with selective Value-Add and Opportunistic exposure, combining resilient, inflation-linked cash flows with upside from market dislocations.

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Regional Focus – North America vs. Europe:

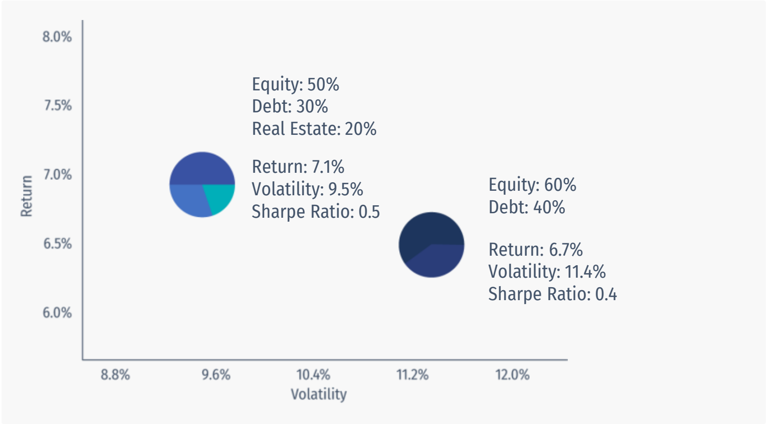
Both regions offer **attractive infrastructure opportunities,** but with different profiles. North America, particularly the U.S., provides greater scale and growth, spanning traditional upgrades, renewables, and fast-growing digital assets.

Europe offers a **more stable, policy-driven environment,** with a strong focus on decarbonization and upgrading aging infrastructure. European core assets tend to show **lower volatility,** while North America may offer **higher** growth and opportunistic potential. Diversification across both regions remains beneficial, with relative appeal shaped by macro, regulatory, and currency factors heading into 2026.

Mid-Market Opportunities:

As capital crowds into large infrastructure assets, mid-market opportunities are becoming more attractive. Smaller and mid-sized projects often trade at **discounts** and offer **greater scope** for operational value creation through efficiency improvements, expansions, or brownfield upgrades. Interest in core-plus, value-add, and secondary strategies remains strong, allowing entry at more attractive valuations.

Exhibit 11 Risk/Return Profile



Source: HMC construction. The equity component is based on MSCI ACWI (Total Return), the fixed-income component on the Bloomberg Global Aggregate Index, and the Infrastructure allocation on the Infrastructure PitchBook Index. Data covers June 2015 to June 2025. We intentionally use the smoothed series to reflect the return pattern an investor would actually experience. Using unsmoothed data results in only a marginal increase in portfolio volatility, from 9.69% to 9.70%, for the portfolio that includes infrastructure.

Across both North America and Europe, the mid-market offers a **compelling** source of risk-adjusted returns, particularly as large-cap infrastructure valuations remain competitive going into 2026.

Evergreens

- In infrastructure, the strategy remains at an early stage, representing about **1.7%** of the roughly USD 500 billion in evergreen AUM today, according to PitchBook. Despite its limited share, assets have grown steadily from approximately USD 2.7 billion in 2022 to nearly **USD 8.6 billion in 2025,** underscoring its expanding role as a diversified entry point into private markets. Currently, around 16 active vehicles are tracked by PitchBook, four of which were launched in 2025.
- In terms of returns, the available data is **still limited,** as the PitchBook Evergreen Infrastructure Index was launched in February 2024. As a result, performance comparisons will need to be assessed over a longer time horizon. YTD, net returns stand at 7.8%, while the top-performing fund has reached up to 16%, pointing to meaningful dispersion across funds that is not yet conclusive.

About HMC Capital

HMC Capital is a Global Alternative Investment firm with over 16 years of experience

and more than US$22.5 billion in assets under management and advisory. With a team of 100+ professionals across Latin America, the United States, and the United Kingdom, we deliver tailored solutions across multiple asset classes, backed by a solid track record in long-term investments.
Combining global reach with local execution, we serve institutional investors, wealth managers, and high-net-worth clients, fostering sustainable growth and value creation through strategic partnerships worldwide.

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